

**TRANSITION TO PRIVATE  
HOUSING OWNERSHIP:**

*A Manual for Local Governments in Slovakia*

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## *Chapter I*

# INTRODUCTION

## THE PURPOSE OF THIS MANUAL

The first chapter of this manual is intended to provide a general overview of condominium ownership and the new Slovak housing privatization law. The remaining chapters will explain the procedures that municipalities must follow to implement housing privatization, as well as provide some guidance on the best way to handle certain issues that may arise during the sales process.

Chapter II will discuss how a municipality should approach developing a sales strategy. Chapter III will describe the basic procedures for converting a municipally-owned building into a condominium and selling off individual apartments. Finally, Chapter IV will address the situation after privatization, that is, the continuing role of the municipality in the privatized and non-privatized housing.

## HOUSING PROBLEMS IN SLOVAKIA

In all of the former socialist countries of Eastern Europe, housing has emerged as a significant problem for which both national and local governments are struggling to find solutions. This is no less true in Slovakia than it is in other eastern nations.

Although the problems in each country are different, some basic issues are common to all:

- **Housing Space and Quality.** In most cases, the actual size and quality of housing are below the standards proclaimed by the former socialist government, and far below those of western European nations. For example, according to the 1991 Census, the average apartment in Slovakia has a total of only 38.5 square meters of living space. In contrast, apartments in the former West Germany have an average floor space of 37 square meters *per person*.<sup>1</sup> Furthermore, housing in Eastern Europe has

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<sup>1</sup>Maris Mikelsons, *Housing Allowances and Slovakia's Social Safety Net*, The Urban Institute, 1993.

generally been poorly maintained, and the state-owned housing management companies have been unresponsive to tenants' requests for service.

- **Consumer Choice.** Citizens have had little voice in their housing consumption. Regardless of tenants' wishes and their ability to pay, dwellings were assigned according to fixed rules, usually after long delay. After a family obtained housing under these rules, they could not easily change dwellings, even when changes in family composition or the location of employment made change of residence desirable.
- **Rental Policy.** For state-owned rental housing and for most private rentals, rents were set far below the cost of providing the housing. Generally, shelter rents were set by state policy at levels equivalent to about 2 to 5 percent of a typical household's income. Rents might vary with the presence of children in the dwelling, but did not vary with household income, so that pensioners paid a much higher fraction of their income for shelter than did families with two or more wage-earners for essentially similar dwellings. Fuel and utility services were also heavily subsidized.
- **New Housing.** Residential construction was sponsored by national ministries, state-owned economic enterprises, and cooperatives, but construction methods, size and equipment of buildings, and size and layout of individual apartments were limited to a few basic designs, typically large-panel construction buildings.

## HOUSING PRIVATIZATION IN THE SLOVAK REPUBLIC

When reform governments came to power a few years ago, they looked to western-style housing markets as the institutional arrangement that would lead to better housing, more consumer choice, and a stronger link between the cost of providing housing and the price charged to the occupant. A key component of the reform agenda is the privatization of state-owned housing, that is, the transferring of residential buildings or individual apartments from state to private ownership. The new owners of the privatized housing would then be responsible for its maintenance and operation, alleviating the government of this burden.

Although for some years it has been legal for the state to sell apartments to citizens, there was no clear provision for giving the owners a voice in managing the building and few apartments were transferred to private ownership under the terms of Laws No. 52/1966 and No. 30/1978. In 1991, the Parliament of the Slovak Republic transferred most state-owned rental housing to municipal governments (Law No. 138/1991), and in 1993 terminated state subsidies for the operation of rental housing. Existing laws did not provide many options for municipal governments to privatize their newly acquired residential and commercial property, so they were forced to operate these buildings at rents set by the national government and subsidize them as needed to pay operating costs.



## The Condominium Law

On 8 July 1993, the Parliament of the Slovak Republic passed Law No. 182/1993, *On the Ownership of Apartments and Nonresidential Premises*, setting forth a procedure for privatization of rental housing owned by the state, by a municipality, or by a housing cooperative. This law establishes the legal basis for the ownership of an individual apartment and an undivided share of the common areas and facilities of one or more buildings through an association of unit owners. In the West, this type of ownership is commonly called *condominium ownership*. The term *condominium* is coming into standard use in Slovakia, and will be used in this manual to refer to this type of ownership arrangement.<sup>2</sup>

An owner in a condominium holds title to a parcel of real estate that has two parts: (1) the apartment itself, and (2) an interest in the common property. The *common property* is everything other than the individual units. Common property includes: interior shared spaces of the building such as stairways and halls, exterior parts of the building such as the roof and masonry walls (Law No. 182/1993, para. 2), and the land under and surrounding the building (para. 23). An owner's interest in the common property is in the same proportion as the floor area of the owner's unit is to the total floor area of all the units (para. 5, part 1.b).

Under most condominium laws in other countries, all unit owners are members of an association, called a *condominium association*, which is responsible for managing the common property and regulating the operations of the condominium. Votes are allocated to each unit, and most decisions are made by majority vote. All owners are bound by the decisions and rules adopted by the association. The Slovak Law is rather unique in that it does not *require* the owners to form such an association when the condominium is established. It is strongly recommended that an association be formed for each condominium, however, for reasons that will be discussed in Chapter III.

Law No. 182/1993 allows the sale of apartments in state ownership to their occupants. A municipally-owned apartment may not be sold to anyone other than its current occupant unless the occupant has not paid his or her rent and other charges for a period of more than six months. Similarly, tenants of nonresidential spaces have the right of first refusal to purchase their units. If the tenant in a nonresidential space does not wish to purchase the unit, then it may be sold to the condominium association or to a third party, based on the decision of the association or a majority of the owners if an association was not formed (Para. 16).

The law provides a formula for determining the maximum allowable price that may be charged by municipalities for the sale of apartments. First, the municipality determines a base price, which is the cost of construction of the house. From that price, a number of discounts are applied. The cost is reduced 2 percent per

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<sup>2</sup>The description of the housing privatization law in this section is intended as a general overview only. The reader should consult the actual text of the law for more details (relevant section numbers of the law are indicated in the text.) Furthermore, sections of the law dealing with topics other than the sale of municipal housing (the conversion of cooperatives, for instance) are not discussed in this manual.

year for each year since construction, up to a maximum of 80 percent, or by the amount of the state subsidy to cooperatives granted in the year of construction (usually 35 to 40 percent). For sales of municipally-owned apartments to sitting tenants, the base price is further reduced by 30 percent (Para. 18, parts 1 and 2).

Although the municipality may not charge more than the price determined under this formula, it may sell apartments for less, or even give them away for free. For nonresidential premises, there is no mandated maximum; the price for these units may be negotiated between the municipality and the buyer.

Once a sales price has been agreed upon between the municipality and the residential buyer, the buyer must make a cash payment of at least 15 percent of the sales price at the time the sales contract is signed. If the buyer pays 70 percent or more of the sales price at the time of the sale, he or she will receive a further discount of 10 percent. The remainder of the sales price must be paid in regular installments over a period not to exceed ten years. No interest may be charged on these installment payments (Para. 18, part 2).

There are virtually no restrictions on the right of the buyer to resell an apartment after it has been purchased from the municipality. The only limitation is that the new owner must pay the municipality any balance remaining on the sales price if the resale takes place during the ten-year loan period (Para. 18, part 3).

The proceeds from the sales of municipal housing must be put into a municipal development fund, to be used primarily for renovation and development of housing stock and for construction and renovation of municipal infrastructure. The specific uses are to be decided by the municipal council (para. 30).

Other conditions and procedures of the sale of property under the law are discussed in Chapter II.

## **BENEFITS OF HOUSING PRIVATIZATION**

Housing privatization will bring benefits both to the municipal governments and to private citizens. Citizens will benefit from privatization as follows:

- At the prices scheduled by this law, citizens will have the right to purchase their apartments for considerably less than replacement cost.
- As owner-occupants and members of a condominium association, they will control the management and maintenance of their property (but must pay for the level of maintenance and service that they jointly choose).
- As housing owners, they can freely sell, rent, bequeath, or mortgage their property.

- Over time, the value of the property is likely to increase, making it a valuable financial asset to the owners.
- Persons who own their dwelling unit will be protected from large increases in rents that are likely to occur in the future.

Municipalities will also benefit from the privatization of housing:

- Although the sales prices are modest (about 40,000 to 50,000 Sk for a typical apartment), privatization will bring some cash revenue to the municipalities.
- Because owners will be expected to pay the full costs of the level of housing maintenance that they choose, the city will escape the burden of subsidies that now benefit both poor and prosperous tenants alike.
- The municipalities will no longer be responsible for management of privatized apartment buildings. The municipality will still have to manage the apartments that it owns in the condominium buildings. Over time, the municipality should be able to sell off most of these apartments and greatly reduce the amount of housing that it is responsible for managing.
- After a grace period of five years granted by law, the privately owned housing will be subject to real estate taxation. In most western countries, real estate taxation is the fiscal mainstay of local governments. The creation of a private housing market will produce an increase in the value of residential property, which will result in a larger base on which municipalities can levy real estate taxes.



## *Chapter II*

### **DEVELOPING A SALES STRATEGY**

Although tenants have the right to purchase their apartments if the building is converted to condominium ownership, the municipality can have some control over which buildings to sell and the timing of individual sales. The municipality should develop a strategy for carrying out sales that will allow the privatization process to proceed as smoothly and as quickly as possible.

To help in developing a sales strategy, this chapter describes some information that the municipality might want to collect on its property. These lists are not intended to be definitive. Although some information is required by the privatization law, each municipality should carefully evaluate its data needs and its ability to collect and use the information. In addition, any information collected will be many times more useful if it can be entered into a computerized database.

### **PREPARING AN INVENTORY OF PROPERTIES**

The first step in developing a sales strategy is to prepare a complete list of all residential buildings owned by the municipality. This task may not be as trivial as it sounds. The transfer of residential property from the state to the municipalities sometimes was carried out in a very haphazard manner. Building documents were not always transferred from the state to the appropriate local authority, and there still may be disagreements about which properties belong to the municipality. Obviously, a municipality can not begin selling property until it is certain which properties it owns.

The municipality should compare different sources of information to compile its list of properties. It should consult its own records, as well as those of the cadastral office and the management companies that are operating its buildings. Any discrepancies should be resolved by consulting with the property manager or, if necessary, by going to inspect the property.

Once a comprehensive list has been prepared, the municipality should begin assembling information on the buildings. Every building should be assigned a *unique* identification number. In most cities, it will be possible

to use the description number (*číslo popisné*) combined with a number denoting the part of the city as the building identification number.

For each building, the following information should be collected:

- Building identification number
- Address (street and orientation number)
- Dimensions (height, length, width)
- Number of floors
- Year of construction
- Type of construction (stone, panel, etc.)
- Number of apartments
- Number of nonresidential spaces
- Ownership status (municipally-owned rental, condominium)
- Total area of apartments (m<sup>2</sup>)
- Total area of nonresidential spaces (m<sup>2</sup>)
- Total area of common spaces (m<sup>2</sup>)
- Central heating (yes/no)
- Elevator (yes/no)
- Identification number and area of all building plots [*pozemky*]

Most of this information should be obtainable from the management company or from the *pasport domu* for the building. For the identification of building plots, it may be necessary to consult the cadastral office.

## ASSEMBLING DATA ON BUILDINGS

Before apartments in a building can be sold, the municipality must define exactly the space occupied by each apartment, the equipment in each apartment, the space occupied by the common areas of the building, and the equipment in the common areas. In addition, the law requires that, at the request of tenants who are potential purchasers, the municipality must describe any repairs that must be made to the building in the next 12 months. The technical condition survey and the list of repairs must be prepared by an expert. Much of this information may be obtainable from the housing management company or from building documents (*pasport domu*, *pasport bytu*, *evidenční list*). For the rest of the information, a survey of the properties must be carried out.

### Apartments

For each apartment in every building, the following information should be collected:

- Building identification number

- Apartment number [*číslo bytu*]
- Floor on which apartment is located
- Category (I, II, III, IV)
- Occupancy status (occupied; vacant--ready for occupancy; vacant--needing renovation; vacant--being renovated)
- Tenure of unit (rental, condominium)
- Owner (municipality, unit occupant)
- Date of ownership change
- Floor space (m2)
- Patio (m2)
- Balcony (m2)
- Number of rooms
- Kitchen (yes, no)
- Bathroom (full, half, common outside apt., none)
- Toilet (inside apt., common outside apt., none)
- Type of heating
- Hot water source
- Monthly clear rent
- Monthly charges for heat, water, electricity, and other utilities and services

The fields "Tenure of unit," "Owner," and "Date of ownership change" should be updated as units are sold.

### **Nonresidential Premises**

For each nonresidential space in every building, the following information should be collected:

- Building identification number
- Unit number [*číslo jednot.*]
- Floor on which nonresidential space is located
- Occupancy status (occupied; vacant--ready for occupancy; vacant--needing renovation; vacant--being renovated)
- Tenure of unit (rental, condominium)
- Owner (municipality, unit occupant, condominium association)
- Date of ownership change
- Floor space (m2)
- Patio (m2)
- Balcony (m2)
- Number of rooms
- Kitchen (yes, no)

- Bathroom (full, half, common outside apt., none)
- Toilet (inside apt., common outside apt., none)
- Type of heating
- Hot water source
- Monthly clear rent
- Monthly charges for heating, gas, water, electricity, and other utilities and services

### **Common Areas**

The law requires that the city compile a description of the common areas, common facilities, and appurtenances of the house, stating those parts which are for the use of only some owners in the building. Examples of common spaces include storage rooms, boiler rooms, and laundry rooms.

For each common area or appurtenance for every building, the following information should be collected:

- Building identification number
- Description of common area, facility, or appurtenance
- If use is limited, indicate units that have right to use

### **Building Equipment**

For each major building component or piece of equipment, the following information should be collected:

- Building identification number
- Description of component or equipment
- Quantity
- Model, make, or type
- Serial number
- Year of construction or installation
- Year of last major repair
- Description of last major repair

### **Technical Condition Survey**

The privatization law requires that, at the request of tenants who are potential purchasers, the municipality must have an expert prepare a description of any repairs that must be made to the building in the next 12 months. Since such a survey will likely be time consuming, the municipality should not collect more information than is required by the law.

For each major building component or fixture, the following information should be obtained:



- Building identification number
- Description of component or fixture
- Condition (New, Good, Fair, Poor)
- Estimated amount for needed repair or replacement (Sk)
- Description of needed repairs or replacement

A sample Technical Condition Survey form, with instructions, is provided in Annex A.

### **Residential and Nonresidential Tenants**

In order to facilitate making contact with potential buyers, the city also needs to collect some basic information on the tenants in its property. For each residential tenant in every building, the following information should be collected:

- Building identification number
- Apartment number
- Name of principal tenant
- Number of adults and children living in apartment

For each nonresidential tenant in every building, the following information should be collected:

- Building identification number
- Unit number [*číslo jednot.*]
- Name of tenant
- Type of organization
- Contact address
- Purpose for which unit is used

### **Annual Income and Operating Expenses**

In addition to the above information, it would be very useful for the municipality to compile data on the income and operating expenses for each building. Although the municipality is not required to do this, providing this information to the prospective buyers would permit them to judge realistically their ability to pay for operating and maintaining the property. It is in the municipality's interest to provide the buyers with as much useful information as possible so that there will be fewer problems after the property is sold.

This type of financial information would also be valuable to the municipality itself in making decisions about future investments in its remaining rental properties. If the municipality's housing management companies are not recording income and expenses on a building-by-building basis, they should begin doing so as soon as

possible. This is simply a matter of disaggregating all incomes and expenses by building and recording the building identification number along with each income or expense entry in the accounting records.

The following financial information should be obtained for the most recent calendar year:

- Building identification number
- Income from residential rent
- Income from nonresidential rent
- Income from heating, gas, water, electric, and other utility and service charges
- Building operating and maintenance subsidies received from government
- Other income (describe)
- Expenses for routine repairs and maintenance
- Expenses for capital repairs
- Expenses for heating, gas, water, electric, and other utility and service charges
- Management fee (if applicable)
- Other expenses (describe)

## **DECIDING WHICH BUILDINGS TO SELL FIRST**

Since privatization through condominium ownership is a new concept for Slovakia, it would be best for the municipality to start off its sales program by completing the privatization process for only 2 or 3 buildings before beginning sales of other buildings. By completing the process on a few buildings, the municipality will gain valuable experience on the exact steps involved in registering a property as a condominium, forming a condominium association, executing a sales contract, and managing installment payment information. This experience should allow subsequent sales to proceed much more smoothly.

For the first few buildings privatized, the municipality should select properties in desirable locations that do not have major physical problems and where there is a high level of interest in privatization among tenants. This will create a pattern of success that will produce momentum for the sales program. Once publicity about the first few privatized buildings spreads, more tenants should begin to express interest in purchasing their apartments.

## **DETERMINING WHAT TO DO WITH THE SALES PROCEEDS**

The law requires the municipal government to deposit sales proceeds in a municipal development fund, to be used primarily for renovation and development of housing stock and for construction and renovation of municipal infrastructure. The specific application of the fund is to be decided by the municipal council.

Although in some cases these funds may be best used for initiating new construction, it usually will be more productive to use the revenues from privatization to create a revolving fund to repair buildings that are in poor condition. These buildings will then be more attractive to their tenants and easier to privatize, generating more funds for another round of repairs, and so on.

## **PROMOTING HOUSING PRIVATIZATION**

Under the privatization law, municipal governments can take the initiative for implementation, or they can simply wait for tenants to demand privatization of their individual units. Because of the benefits of housing privatization, it would be best if the municipality does as much as possible to get the process underway and to promote sales.

Specifically, the municipality can do the following:

- **Raise rents to maximum allowable level.** As a spur to privatization, tenants must understand that those who remain as renters will soon pay higher rents. Rent policy is still managed by the national government, so a municipal government has only limited power to increase existing rents. But any allowable increases in the future should be imposed.
- **Allow speculation.** The privatization law prescribes the maximum allowable price for individual apartments, which are far below the probable market value of most apartments. Some local officials have noted that the occupants who privatize will get windfall gains by immediately selling their apartments to third parties, and think that the privatization law should be amended to prevent this profiteering.

There is good reason for local governments not to discourage speculative privatization and resale of apartments, however. If the first set of buyers reap large gains when they resell their units, this will encourage others to privatize and more municipal housing will be sold. As the numbers of potential sellers increases, the market price for privatized apartments will drop sharply and speculative windfalls will be reduced.

- **Negotiate low prices on the least desirable buildings.** Although the national law specifies maximum sales prices for apartments, it allows municipalities to accept less. Many buildings are now in poor condition and will require major expenditures to make them safe, comfortable, and attractive. City governments should offer these buildings for less than the maximum fee set by law. In fact, it may be advantageous for the city to give some of its buildings free of charge to anyone who will undertake the necessary rehabilitation.



### *Chapter III*

## **HOUSING PRIVATIZATION PROCEDURES**

This chapter explains the procedures involved in privatizing municipal property under the condominium form of ownership. The basic steps in the process are given in Figure 1. These steps are described in more detail below.

### ***Figure 1 -- Housing Privatization Steps***

- 1) Complete technical survey of buildings
- 2) Determine sales prices
- 3) Survey tenants
- 4) Prepare schematic plans or drawings
- 5) Prepare ownership transfer document to establish condominium
- 6) Prepare report of technical condition and anticipated repairs
- 7) Prepare sales contracts for individual purchases
- 8) Register transfer of ownership of units
- 9) Establish a condominium association
- 10) Prepare the association agreement
- 11) Transfer property management to condominium association

## **COMPLETE TECHNICAL SURVEY OF BUILDINGS**

The list of buildings and the technical data on buildings and apartments should be compiled, as described in Chapter II.

## **DETERMINE SALES PRICES**

Using the relevant regulations, the municipality should determine the maximum allowable sales price for each unit. As discussed in Chapter II, the municipality may want to discount some prices substantially on the basis of the condition of the building, to encourage tenants to privatize.

## **SURVEY TENANTS**

The municipality should survey the tenants in each building to determine the number who want to purchase their units. Based on the level of interest in a particular building, the municipality may want to adjust the sales price downward to increase the number of sales in a particular building.

## **PREPARE SCHEMATIC PLANS OR DRAWINGS**

The municipality must prepare documentation of the location and size of each apartment and non-residential space in the building, as well as a description of what is included in the common property of the building. The documentation must include floor plans of the property, with individual apartments and non-residential spaces clearly numbered and identified. The ownership share of each unit in the common property must be determined, based on the ratio of the unit's area to the total area of all units.

## **PREPARE OWNERSHIP TRANSFER DOCUMENT TO ESTABLISH CONDOMINIUM**

Prior to the first sale of an individual unit in the condominium, the municipality must prepare a document describing how ownership will be transferred. This document will be registered in the real property records in the district cadastral office at the time that documentation of the first sale of a unit is submitted to the cadastral office (Para. 5). This document must contain:

- A description of each of the apartments and nonresidential premises and the amount of floor area of each;

- The percentage share of joint-ownership in the common areas and facilities for each unit;
- A description of the common areas and facilities;
- A description of the buyers' rights to the site and surrounding grounds of the building;
- A declaration regarding an association agreement or management agreement applicable to the building.

### **PREPARE REPORT OF TECHNICAL CONDITION AND ANTICIPATED REPAIRS**

The law requires that, if requested by a tenant, the municipality must provide a report about the technical condition of the building and each apartment, prepared by an expert. The report must include a list of repairs that must be undertaken within the next 12 months. A format for such a survey can be found in Annex A.

### **PREPARE SALES CONTRACTS FOR INDIVIDUAL PURCHASES**

A sales contract between the municipality and the buyer must be executed for each sale of an apartment or nonresidential unit. A sample sales contract is provided in Annex B of this manual.

### **REGISTER TRANSFER OF OWNERSHIP OF UNITS**

Upon execution of the sales contract and the payment of at least 15 percent of the sales price by the buyer, title to the unit and its share of the common property of the condominium transfers to the buyer. For each sale, documentation of the change of ownership must be submitted to the cadastral office.

When the first sales contract submitted, the municipality must also submit the document on the transfer of ownership and the building schematic drawings and plans (described previously) to the cadastral office.

### **ESTABLISH A CONDOMINIUM ASSOCIATION**

Law No 182/1993 provides that at the time that the first sale of an apartment, the municipality must either form an association of owners of the building which will be responsible for management of the common property and the operation of the condominium, or enter into a management agreement with an entity that will manage and operate the property for the owners.

We strongly recommend that an association of owners (also called a *condominium association*) be formed in each privatized building. The local government should prepare an association agreement and register the association as a legal entity in the Registry of Associations before any units in the building are sold. As each unit is sold, the purchaser should sign the agreement and agree to comply with its terms.

An association can decide to retain the services of a professional property manager, but the association performs a vital function for the condominium that cannot be replaced by an outside manager. The primary responsibility of a condominium association is to protect the investment and enhance the value of the property owned by its members. This is done by providing for the physical maintenance and operation of the shared property and by enforcing obligations and restrictions imposed on all members by law and by decision of the association. Owners are in the best position to carry out these duties. While some of the day-to-day management responsibility may be delegated to a professional management firm, only the owners should make important policy decisions about the property.

Also, in the absence of a condominium association, there would be no legal entity that can act on behalf of all of the unit owners. Even simple tasks such as opening a bank account for keeping funds for renovating the common property would be difficult.

## **PREPARE THE ASSOCIATION AGREEMENT**

The Association Agreement provides basic rules governing the operation of the condominium, and a means for the owners to agree on new rules and policies. Without an association, these decisions would have to be made on an *ad hoc* basis.

The Association Agreement should describe how the owners will make decisions about the governance and operation of the condominium. A general assembly of the owners should be held at least once a year. Each unit is allocated one vote at meetings of the association, and most decisions will be made by majority vote. All owners will be bound by the decisions of the association, whether or not they voted for them.

These decisions include: a schedule of maintenance and repair of the common areas; use of commonly-owned premises and equipment; preparation of an association budget and allocation of association revenues; and selection, compensation, and discharge of a property manager.

A sample association agreement can be found in Annex C.

## **TRANSFER PROPERTY MANAGEMENT TO CONDOMINIUM ASSOCIATION**



Once sales of individual units are underway, the new owners of the property become responsible for its management and maintenance. In general, each unit owner is responsible for maintaining the interior of his or her unit, and the condominium association is responsible for maintaining the common property of the condominium.

As part of its agreement with the new owners, the city should make arrangements regarding the transfer of management responsibility. It may be that during an interim period after the title transfer, the property will continue to be managed by the current property manager. After this period, or when the private owners control more than 50 percent of the units in the building, the condominium association must decide whether it wants to retain the current manager, hire a new manager, or manage the property itself without the assistance of a professional property manager.

## **CONFIGURE CONDOMINIUMS**

In most cases, deciding which apartments and nonresidential units should be grouped together as a single condominium will be straightforward. The most logical criterion for making this decision is the physical layout of the building or buildings in which the units are located. Since the condominium association is responsible for the maintenance of the common parts of a building, it makes sense that all the physical components common to a group of units should be part of a single condominium.

Size is another factor that should be considered in the configuration of condominiums. There is no "right" size for a condominium, but properties with less than 6 units and more than 500 units can be expected to have certain management problems. With too few units, there may be an insufficient number of owners to be able to finance the maintenance and renovation of the property. On the other hand, if there is a very large number of units, the operation of the condominium association may become unwieldy and the association may become so impersonal that it loses the sense of co-ownership that distinguishes a condominium from a rental apartment building.

There are often structural elements, such as the source and distribution system for heat and unitary roofing or other building components, that will complicate the simple division of a group of separate buildings into independent condominiums. A detached building containing a heating system that is only used to heat that building (Figure 2a) is the easy case -- the single building should form a single condominium. Similarly, partially attached buildings that have their own individual heating systems, distinct and separate roofs, separate entrances from the street, and walls dividing the interior of each building from its neighbors should also be configured as separate condominiums (Figure 2b).



***Figure 2 -- Examples of Different Building Configurations***

**a) Single detached buildings**

**b) Attached buildings with distinct roofs**

**c) Single block building with continuous roof**

**d) Separate buildings with common boiler**

A complication arises in the case of a row of buildings all under one continuous roof, as illustrated in Figure 2c. In one sense, the individual entrances define four separate buildings that could be made into four separate condominiums. The problem with this arrangement is that the roof must be maintained as a single unit. It would not be feasible or cost-effective to repair or replace the roof over only one section of the structure because the roof is one continuous piece. As long as the total number of units is not so large that the association becomes unwieldy, the best solution in this case would be to define the entire structure as one condominium.

If the number of units is very large, however, then it may be too impractical to configure the structure in Figure 2c as a single condominium. In this case, separate condominiums could be formed, but some mechanism needs to be established for making decisions about the roof. One possibility is to form a separate organization that would make decisions regarding repair and maintenance of the roof. This could be called the "Master Association." The individual associations of the component buildings would be members of the Master Association, and each would delegate one or more representatives to serve on an executive committee of this association. The executive committee could propose projects that would be applicable to the entire complex of buildings, such as repairing the roof or starting a special reserve fund to replace the roof at a future date. These proposals would be subject to approval by the individual member associations. A portion of the condominium assessments collected in each building would be designated to fund approved projects proposed by the Master Association.

A similar situation occurs where there are several separate houses that share a common heating source which is located in one of the buildings. In Figure 2d, for example, a boiler in one building is used to supply heat not just for itself but for two other buildings as well. Obviously, the maintenance of the boiler is a concern of all three buildings and it would be undesirable for one building to own or control the entire heating system. There are three possible solutions to this problem. The first is to configure all three buildings as a single condominium, with the boiler being part of the common property. In this way, the unit owners of the three buildings share control of the heating system. This arrangement is the simplest, but it may result in conflicts between the different buildings in terms of priorities for maintaining or renovating other parts of the buildings.

A second solution to the problem posed in Figure 2d is for the municipality to install boilers in the two buildings that do not have them, thus physically separating the heating for the three buildings. Each building can then be established as an independent condominium. A disadvantage to this approach is that the municipality must invest money to restructure the heating system. In addition, it may be necessary to convert apartments into boiler rooms, which may be impossible or undesirable.

A third solution is to make each building into a separate condominium and to create another association of all unit owners to operate the heating system, like the Master Association for the roof discussed previously. In this way, the owners can make decisions that affect only their individual building through their respective condominium associations, but operation and maintenance of the common heating system would be made by the Master Association, subject to the approval of the individual associations.

In general, where there are large numbers of units and multiple structures that are physically interrelated, it is best to have a master association comprised of representatives of individual associations that will manage the common physical components. The establishment of the master association will require a special agreement among the parties that the municipality should prepare before units in the buildings are sold. A sample of a master association agreement can be found in Annex D.

**Note:** Defining the heating system as part of the condominium common property or using a master association to give several buildings control of a shared heating system is not recommended for situations where the heating source is physically separated from the buildings. For example, it is sometimes the case that 30 to 40 buildings will be heated by a single external heating plant. It would *not* be desirable for this heating plant to be owned and operated by the condominium owners in these buildings. The operation of a large heating plant would be a difficult and burdensome task for housing owners. A condominium association is not a good mechanism for the privatization of large heating plants. Either the government should continue to operate the heating plant itself or it should be privatized through another means.



#### *Chapter IV*

### **AFTER HOUSING PRIVATIZATION**

The municipality will continue to be involved with the housing in its jurisdiction in a number of ways:

- It will own and continue to be responsible for the management of units that are not privatized.
- It will be a member of the condominium association in buildings where it continues to own units, with all of the rights and responsibilities of any other member.
- It will own and manage buildings where no units are privatized.
- It will manage the loan program resulting from the sales of units where the buyer pays the balance due in periodic installments for up to ten years.
- Eventually, depending on legal provisions defining the respective responsibilities of the local and state government, it will play a role in determining and enforcing building and construction standards, issuing various permits and licenses, and taxation of real estate.

Local governments should establish effective policies and procedures *now*, as part of the privatization process, to help with carrying out these and other responsibilities in the years ahead. In addition, developing a good information management system is a critical component in effectively managing local government activities in the housing sector.

### **RECORDING AND SERVICING SALES**

Once a municipality begins selling off its housing stock, it will need a system for managing the sales process. This system should be able to record purchase applications, register transfers of building ownership, and manage an installment payment program. Ideally, a computerized information system should be used to track applications and housing unit sales.

An information system for managing housing sales should have the following components:

- a. **Application processing** - This function would record application information for prospective buyers and should include the following data:
  - Building identification number
  - Unit number [*číslo jednot.*]
  - Name of applicant
  - Telephone number of applicant
  - Occupation of applicant
  - Name, address, and telephone number of applicant's employer
  - Date of application
  - Date applicant provided with report of technical condition, repairs needs, and financial information on property
  - Condominium share of applicant's unit (%)
  - Maximum sales price of unit (Sk)
  - Sales price offered to applicant (Sk)
  - Date price offer made to applicant
  - Date price offer accepted or refused by applicant
  
- b. **Sales recording** - This function would be used to store key information regarding the transfer of the building and individual units from the ownership of the municipality to the buyers. There are two parts to this: information on the building and on the individual units.

Information for the building would include:

- Building identification number
- Date property registered as a condominium
- Unit number for first unit sold
- Date first sales contract signed
- First sales contract number
- Date of condominium association registration
- Association registration number
- Name, address, telephone number of association representative
- Date management responsibility transferred to association
- Number [*počet*] of apartments sold
- Number of apartments not sold
- Number of nonresidential units sold
- Number of nonresidential units not sold



Information for individual units would include:

- Building identification number
- Unit number
- Residential or nonresidential unit
- Date sales contract signed
- Sales contract number
- Date property title transferred to buyer
- Actual sales price of unit (Sk)
- Discount for purchase by tenant (30% or 0%)
- Discount for cash payment of 70% or more of sales price (10% or 0%)
- Discounted sales price of unit (Sk)
- Cash payment at time of sale (Sk)
- Period of financing (years)
- Interest rate (%)
- Monthly payment (Sk)
- Date final loan payment made

Information on the period of financing and interest rate are included because, although these items are currently set by law to 10 years and 0 percent interest, it is possible that the law may be changed to allow the municipality more flexibility in setting financing terms in the future. The information system should therefore have the capacity to deal with this situation.

- c. **Payment administration** - This function is used to track the receipt of installment payments from the condominium associations. The program should allow the user to record the receipt of payments from the buyers and should be able to print out a list of non-payers at the end of the month. Ideally, the program should also generate bills every month for each buyer.

Information recorded in this function should include:

- Building identification number
- Unit number
- Date payment received
- Amount of payment (Sk)

## RELATIONSHIP BETWEEN MUNICIPALITY AND CONDOMINIUM ASSOCIATIONS

Once all of the units in a building are sold, the municipality will no longer have to deal with managing or maintaining the property. In most cases, however, this will not happen immediately but only over the course

of several years. In the mean time, the municipality will have to deal with the management of the property at a certain level, the extent to which will depend upon whether the municipality owns a majority or a minority of the units in the condominium.

### **Majority municipal-ownership**

If less than half of the units in a building are sold, then the municipality will remain responsible for the management of the property. As owner of the majority of units, the municipality has a majority of the votes in the condominium association and can therefore make unilateral decisions regarding the level of the monthly assessment paid by the unit owners, the arrangements for management of the property, and other issues.

Despite the fact the municipality has the power to make decisions for the entire condominium, it should not use its authority to force unreasonable conditions on the other owners. It should not make the association members pay an excessively high monthly assessment, nor should it require them to finance extensive renovations on the property that they do not want. Taking such actions would only lead to tension between the municipality and the other owners and would destroy any sense of the building occupants being able to have more control over their housing.

The municipality should set the monthly assessment at a level that will fully cover the normal operating expenses of the building, plus an additional amount to finance only those renovations that are absolutely necessary. The municipality should consult with the other unit owners before making these decisions, even though it is not required to do so. This will lead to a sense of cooperation between the condominium members and the municipality, and will help prepare the unit owners for the time when they will have to take control of the building themselves.

Because responsibility for managing the property remains in the hands of the municipality if less than half of the units are sold, the municipality should avoid privatizing a building until it can sell a majority of the units. As was discussed previously, the municipality can reduce the purchase prices for units in order to induce more tenants to buy, or it can invest in the building prior to privatization in order to make it more attractive to buyers.

### **Minority municipal-ownership**

Once more than half of the units in a building have been sold, the owner-occupants of the building will become responsible for the operation and maintenance of the condominium. They must decide whether to manage the property themselves or to hire a professional property manager. They must set the level of the monthly assessment to be paid by the unit owners, plan for the long-term maintenance of the building, and establish rules governing the operation of the condominium association.

As long as the municipality owns one or more units, it will continue to be a member of the condominium and must adhere to its rules and decisions. It must pay the monthly assessment for the units that it owns. The municipality must also either send a representative to the condominium association meetings or assign its votes to someone else by proxy. In most situations, the municipality will probably want to adopt a passive role in the association, allowing the other unit owners to take responsibility for managing the condominium.

Since the municipality has only a minority of the votes in the condominium association, it will not be able to overrule the other owners if they wish to carry out very expensive renovations in the building. The municipality will have to contribute to the cost of these renovations, but the condominium association can not require the municipality to pay a higher proportion of the costs than its ownership share in the condominium. The other owners will have to pay their fair share of the renovation costs as well. Nevertheless, the municipality should attempt to sell off its remaining units as quickly as possible so that it will not be forced to pay for too many renovations.

### **Continuing management of nonprivatized units**

As with any other owner in the condominium, the municipality will still be responsible for the management of the individual units that it owns. If there are tenants renting these units, then the municipality must collect rent from these tenants, respond to complaints from the tenants, and see to it that the interior of the units are maintained in good condition. If the municipality wants to hire a housing manager to take care of these tasks, then it must arrange for this itself. The manager hired by the municipality does not have to be the same as the one hired by the condominium association to manage the common property.

### **Sales of non-privatized units**

The municipality can continue to sell off its remaining units after the property has been converted to condominium ownership. Of course, it can only sell residential units to the tenants living in those units. If a tenant leaves an apartment in a condominium building, then this unit should not be rented to another tenant. Rather, the unit should be sold to someone else so that the municipality will no longer be responsible for managing it.

Since mixed-ownership properties present special problems, the municipality should adopt a strategy of consolidating all of its rental units in certain buildings. Once the privatization process begins, it will soon become clear that there will be a high percentage of tenants interested in purchasing their units in some buildings, and a low percentage in other buildings. The municipality should not privatize buildings where there is a very low interest among the tenants in purchasing units. If there are people who wish to buy apartments in these buildings, then the municipality should attempt to sell them vacated apartments in condominium buildings, or to arrange swaps between these people and tenants who do not want to buy apartments in condominium buildings. Renters in condominium buildings could even be offered an incentive payment in order to get them to relocate into another building.



## CONCLUSION

The new housing privatization law offers a great opportunity to begin reforming the housing situation in Slovakia. By putting more housing in the hands of private ownership, the law is an important step in the process of creating an active, private housing market that will be able to supply decent, affordable housing for most Slovak citizens.

To be sure, there are other reforms that must be implemented before such a private housing market can begin to develop. Most of these changes must be effected by the national government, such as reforming rent control policy, promoting a housing finance system, and restructuring the social safety net system to direct assistance to those persons and families who have the most need. Nevertheless, the transfer of property from the state to the private sector and the creation of a new class of private property owners is necessary for this transition to occur.

It is clear that the selling off a large proportion of the municipal housing stock will not take place without difficulties, both because of the technical aspects of the transfer of ownership of large amounts of property, as well as because of the change in people's attitudes towards housing that must occur as the system is transformed. This manual has attempted to explain the details of the housing privatization law, as they relate to municipalities, in straightforward terms in order to de-mystify the procedures for housing sales. It has also tried to provide guidance on some issues, such as the selection of buildings for sale and the configuring of condominiums, that may cause difficulties during the privatization process.

In order to assist cities and towns in Slovakia further with the implementation of the new privatization law, the Urban Institute of Washington, D.C. and the Housing Institute (*Inštitút bývania*) and Urban Research of Bratislava, under the auspices of the United States Agency for International Development (USAID), are preparing a manual for condominium associations that will explain the basic procedures for operating and managing condominiums. This document is intended for the new owners and the managers of condominium property, and is expected to be completed in early 1994.

For more information on the housing privatization law and the forthcoming Condominium Association Manual, municipalities may contact the Housing Institute or Urban Research at the following addresses:

**Inštitút bývania**  
**Prešovská 39**  
**821 08 Bratislava**

**Tel: 07/617-36**  
**Fax: 07/615-25**

**Urban Research**  
**Prešovská 39**  
**821 08 Bratislava**

**Tel/Fax: 07/615-25**

## **ANNEX A**

### ***TECHNICAL CONDITION SURVEY FORM***





## TECHNICAL CONDITION SURVEY

### I. BUILDING IDENTIFICATION

- 1) Identification number (č. miestna časť/č. súpisné): \_\_\_\_\_ / \_\_\_\_\_
- 2) Miestna časť: \_\_\_\_\_
- 3) Adresa (ulica, č. orientačné): \_\_\_\_\_

### II. TECHNICAL CONDITION OF BUILDING AND EQUIPMENT

Component/ Fixture	Con- dition (1-4)	Needed Repairs	
		Estimate	Description
<b><i>A. Building grounds</i></b>			
1) Fencing			
2) Landscaping			
3) Walkways			
<b><i>B. Building exterior</i></b>			
1) Foundation			
2) Exterior walls			
3) Windows			
4) Exterior doors			
5) Balconies			
6) Downspouts			
7) External lighting			

Component/ Fixture	Con- dition (1-4)	Needed Repairs	
		Estimate	Description
<b><i>C. Building interior</i></b>			
1) Staircases			
2) Elevator			
3) Interior lighting			
4) Fire equipment			
5) Unit doors			
6) Cellar			
7) Attic			
8) Laundry room			
9) Boiler room			
<b><i>D. Roof</i></b>			
1) Roof structure			
2) Roof covering			
3) Lightning arrestors			
4) Skylights			
5) Gutters			
6) Roof vents			
7) Chimney			

Component/ Fixture	Con- dition (1-4)	Needed Repairs	
		Estimate	Description
<b><i>E. Building systems</i></b>			
1) Water			
2) Hot water			
3) Sewer, septic tank			
4) Gas			
5) Electric			
6) Heating			
7) Ventilation			

Completed by: \_\_\_\_\_ Date: \_\_\_\_\_

Notes (indicate item number):

### TECHNICAL CONDITION SURVEY INSTRUCTIONS

For each building component, system, or piece of equipment listed on the form, indicate the condition and a cost estimate and description of any needed repairs (excluding routine servicing and maintenance).

Use the space provided at the end of the form for additional notes. Indicate the appropriate item number on the form, if applicable.

In rating the condition of the item, use the following codes:

- 1      **New** - Item was installed in the last 12 months and shows almost no signs of wear.
- 2      **Good** - Item is in good condition, showing only signs of normal wear and requiring only regular, routine maintenance to maintain it in this condition.
- 3      **Fair** - Item is in adequate condition, showing signs of wear and requiring repair beyond routine maintenance (include cost estimate and description of needed repairs).
- 4      **Poor** - Item exhibits extensive wear or has broken down and requires complete overhaul or replacement (include cost estimate and description of needed repairs or replacement).
- 8      **Unknown** - Condition of item could not be evaluated (indicate reason why in the notes).
- 9      **Not applicable** - Item does not exist in building.

**ANNEX A**

***SAMPLE SALES CONTRACT***



## APARTMENT SALES CONTRACT

### Article I

#### Contractual parties

Seller: City part Karlova Ves, represented by  
\_\_\_\_\_ mayor

Buyer: Name: Martina Batorova  
Date of birth: 16/7/1970 in Martin  
Identification no.: 70-57-16/6380  
Address: Bratislava, Matejkova 26  
Marital status: Single

### Article II

#### Object of the sale

1. In the seller's ownership are the properties in the cadastral area Karlova Ves: residential house number IV.3095, Street Hany Melickovej, or:

n. 24,26,28, built on the estate with plot  
n. 1744/24, 1744/25, 1744/26

and real estate with a total area 930 m2 as follows:

plot no. 1744/24 built up area 231 m2  
plot no. 1744/25 built up area 239 m2  
plot no. 1744/26 built up area 244 m2  
plot no. 1744/27 other area 19 m2  
plot no. 1744/28 other area 36 m2  
plot no. 1744/29 other area 15 m2  
plot no. 1744/30 other area 21 m2  
plot no. 1744/31 other area 59 m2  
plot no. 1744/32 other area 48 m2  
plot no. 1669/252 other area 18 m2

The real estate is listed by the Cadastral Institution in Bratislava, Cadastre management for the capital city of SR Bratislava, on ownership list no. 1452.

2. The object of the sale comprises unit no. 5 on the third floor at entrance 26 on the street Hany Melickovej, plot no. 1744/25 of the residential house mentioned in the point 1, consisting of 3 rooms, kitchen and utilities (hallway, toilet, bathroom) with 43.55 m2 of residential area and 68.79 m2 of floor

area of the unit (without patio and balcony) and with ownership part 2,178/100,000 on these common parts of house:

foundations, cross-beam construction system, ceiling constructions, peripheral walls, roof constructions, plumbers constructions, places behind the doors, entrance halls, hallways, stair-cases and common house equipments: elevators, machine room of the elevator, room for baby buggies, rooms for bicycles and mopeds, washing rooms, drying and ironing rooms, rooms for housekeeper, rooms for technologies and installations, room for the main house electrical switch, rooms for storage cells, lightning-conductor and grounding, common television antenna, installation equipment, water, channel, electric, gas, hot water, telephone, low-current nets and their service lines, house gas regulator, pedestrians communications, and front yards with fence, fire cross-connecting frame of water, main closure of gas and water with water-meter.

*[Note: The correct determination and description of the parts of the house that are in common possession of all or only some of the owners of units in the house is important in order to prevent disputes among the co-owners of the property. Therefore, the buyer must be told precisely the subject of transfer.]*

3. The unit includes the patio, with total area 3.37 m2, and the balcony, with total area 3.14 m2.
4. The unit is equipped with central heating, kitchen cupboards, hood, gas stove, hot and cold water, closet, PVC flooring, heated bathroom with a bath tub and sink, toilet, and home telephone.
5. The sale also includes a co-ownership share of 2,178/100,000 of the property, as described in point 1, with a total area of 930 m2.
6. Since the unit is in a newly constructed building, the buyer waives his/her right to have the seller determine the technical condition of unit.
7. Upon signing this contract, the buyer shall conclude with seller a contract establishing an association of unit owners in the house mentioned in part 1, which will be effective upon the registration of the association with the County Office in Bratislava, with the exception that the deposit of the owners' rights of buyer to the subject of purchase into the cadastre of real estates will be permitted.
8. The buyer is a tenant of the sold unit.

### **Article III**

#### **Method of using common equipment of the house**

1. From the common equipment of the house listed in part II.2 in this contract, buyer will together with other owners, resp. tenants of the units in entrance 26 on street Hany Melickovej use those, which are occurring in this entrance (equipment serving to the house as a whole - common television antenna, house gas regulator, main cap of the gas and water with water-meter, as far as they occur in this entrance, they are used by all units owners in the house).
2. Buyer will be have the use of storage cell no. 5 on the 1st floor in entrance 26 of the street Hany Melickovej according to the figure included as enclosure no. 1 of this contract.



3. The front yards of plots 1744/28, 31 and 33 will be used solely by the owners, resp. tenants of the units no. 1 in each entrance of the residential house listed under the point II/1 of this contract, who are required to maintain them at their own expense.
4. Using the common equipment of the house can be changed by written agreement of all the unit owners of the property, or only owners in the entrance 26 on the street Hany Melickovej, as far as this change concerns only this entrance.
5. Tenants, to whom the buyer will rent the unit, have rights to use the common parts and equipments of the house in the range of buyers rights.

#### **Article IV**

##### **Price**

1. The price of the unit including co-ownership portion on the common parts and common equipments of the house and estate is established by agreement of the contracting parts according to par. 17 and par. 18 of Law No. 182/1993 Z.z. (further only the Law) as follows:
  - For the unit and co-ownership portion of the common parts and common equipment of the property, according to par 18 per. 1 of the Law, the price is 180,000.-Sk. On this amount the seller is giving as a community deduction 30% according to par 18 per. 2 letter a/ of the Law, and a deduction 10% according to par. 18 per. 2 letter c/ of the Law because the buyer is paying the full sales price in cash upon signing the contract. After these deductions the sales price is 108,000.-Sk (one hundred eight thousand slovak crowns).
  - For co-ownership portion of estate the amount 30,380.-Sk (thirty thousand three hundred eighty slovak crowns).
2. The sales price in total 138,380.- Sk will be paid in full by the buyer upon signing of the contract.

#### **Article V**

##### **Special negotiations**

1. Buyer states, that state of the purchase subject is well known to her from its using and from the protocols signed in the frame of approval inspection.
2. Because the unit selling is in a new building, the rights and duties from the responsibilities for defects and for damages against supplier of building are transferred to buyer.

#### **Article VI**

##### **Final negotiations**

1. The ownership right to the object of the purchase is transferred to buyer immediately upon the register of the sale in the cadastre of real estates.
2. With the ownership of unit, deposit right to the subject of purchase arises from law to a profit of community owners of units, based on a contract according to point II.7; in the case that community will not be registered, to a profit of other owners of units in the house.
3. Seller will give the proposal for allowing the deposit of owners rights to the subject of purchase into the cadastre of real estates.
4. Contract is drawn in seven equal copies, from which one will be given to buyer and seller and 5 copies of the contract will be submitted to the cadastral office.

In Bratislava 28.10.1993

Seller: \_\_\_\_\_ Buyer: \_\_\_\_\_

## **ANNEX B**

### ***SAMPLE CONDOMINIUM ASSOCIATION AGREEMENT***



## **ASSOCIATION AGREEMENT OF OWNERS OF APARTMENT UNITS AND NON-RESIDENTIAL PREMISES**

### **Section I**

#### **Basic regulations**

##### Article 1

The Association of Owners of Apartment Units and Non-Residential Premises (hereinafter "the Association") is a legal person with a scope of operation stated by this Agreement.

##### Article 2

The seat of the Association is at \_\_\_\_\_ [address],  
\_\_\_\_\_ [city].

##### Article 3

1. The basic aim of the Association is to provide for the management and operation of the apartment building at \_\_\_\_\_ in \_\_\_\_\_, situated on the site, parcel No. 1234/1 in the cadastral territory of \_\_\_\_\_ (hereinafter "the property") and so to provide for the use and enjoyment of the property by the owners and other residents.
2. In order to successfully achieve the aims of the Association, the members of the Association are obligated according to provisions of the Act of Parliament of the Slovak Republic No. 182/1993, On Ownership of Apartment Units and Non-Residential Premises (hereinafter "the Act"), to establish a Condominium Association.

### **Section II**

#### **Membership in the Association**

##### Article 1

Founding members:

1. The Municipality of \_\_\_\_\_ as the owner of the building
2. \_\_\_\_\_, the owner of apartment No. 17 on the third floor of the building, comprising . . . [etc.]
3. \_\_\_\_\_, the owner of apartment No. 3 on the first floor of the building,

comprising . . . [etc.]

## Article 2

1. Owners of units in the building are members of the Association
2. Each new owner of a unit shall enter into this Agreement and shall comply with all obligations stated in the Agreement.

## Article 3

1. Each member of the Association has the right to:
  - a) participate personally or through a representative in the management of the property;
  - b) make decisions, as a joint owner of the common property, regarding operation, maintenance and repairs of the property.
  - c) attend, personally or through a representative meetings of the Association;
  - d) stand for election to the Association executive committee;
  - e) submit projects and suggestions to the Association executive committee;
  - f) use together with his family and guests the unit in his ownership as well as the common parts and facilities of the property, the use of which is necessary in connection with the utilization of the unit;
  - g) lease or sell his unit to another person.
2. Each member of the Association is obliged to:
  - a) contribute in compliance with this Agreement to expenses in connection with the operation, maintenance and repairs of the common property;
  - b) pay the expenses of keeping his own unit in good repair;
  - c) not disturb and not threaten the rights of residents;
  - d) eliminate defects or damage caused to other units in the building or on the common property by himself or by persons using his unit;
  - e) permit on demand, to the extent necessary, the entry of an Association representative, manager, if appointed, or a person entitled to make a repair or maintenance to his unit or non-residential premises, if he does not provide for the repair himself, or if it is a repair of common property, which are accessible from his unit;

- f) not disturb the other residents in the building to an inappropriate extent;
- g) change the appearance of the building only with prior written approval of the Association;
- h) protect the common property of the Association;
- i) participate in activities of the Association and support the reputation of the Association

Note: Further obligations in keeping clean the common parts, keeping the peace at night, keeping pets, etc. may be added.

#### Article 4

Membership in the Association is terminated by:

- 1) the death of a member;
- 2) conveyance or transfer of his ownership rights to another person;
- 3) excluding a member if circumstances under Paragraph 15 of the Act occur and the owner is not able and willing to pay his debts to the Association;
- 4) the termination or liquidation of the Association.

### **Section III**

#### **Association authorities**

##### Article 1

Association authorities are:

- a) General Assembly of the Association
- b) Executive Committee of the Association
- c) Chairman of the Association
- d) Account Auditing Committee of the Association

##### Article 2

The tenure of office of the elected Association authorities is two years. Authorities remain in office after this term until new Association authorities are elected.

### Article 3

1. Association authorities perform their responsibilities according to the Bylaws of the Association. The collective authorities make decisions in a body and can adopt resolutions if more than half of their members are present. Resolutions are passed by majority vote of the present members, unless otherwise provided by law.
2. Amendments to this Agreement can take force only if approved by all members.
3. If decisions under the preceding clause, or important decisions regarding the common property are concerned, member who voted in the minority can appeal to a court for decision.
4. One vote is allocated to each unit, including units with more than one owner.
5. In the case of an equal vote in a decision of collective authorities of the Association, or if no majority vote can be achieved, or member of the collective authority of the Association are not able to come to an agreement, the decision will be made by the General Assembly, based on a motion presented by the Executive Committee or by the Account Auditing Committee of the Association, or by the court, based on a motion presented by any of the members.

### Article 4

Only members of the Association who fulfill their obligations may be elected to the Association authorities. If a member of an elected authority does not properly fulfill his office, he may be removed before the end of his term of office by the authority which has elected him, which shall then appoint a new member for the rest of the term.

### Article 5

1. The General Assembly of the Association:
  - a) makes decisions on amendments to this Agreement;
  - b) passes Bylaws of the Association and makes decisions on modifications of Bylaws and other internal regulations of the Association;
  - c) elects and removes the Chairman of the Association, the members of the Executive Committee and Account Auditing Committee;
  - d) discusses and approves annual reports of the Executive Committee and Account Auditing Committee of the Association;
  - e) approves the annual financial statement of the Association;
  - f) decides on the excluding of Association members;



- g) decides on all issues in its competence.
- 2. The General Assembly is convened by the Executive Committee of the Association when necessary, but at least once each year.
- 3. The General Assembly will be convened by the Executive Committee upon a request of Association members who have together more than one third of all votes.
- 4. Notice of the convening of a General Assembly shall be given in writing and it shall include the agenda of matters to be considered there. The notice must be mailed to each member of the Association at least five days before the date of the meeting.
- 5. The General Assembly is presided over by the Executive Committee of the Association and the meeting is guided by the Chairman of the Association.
- 6. There is a public vote at the General Assembly, if not otherwise agreed at the meeting.

#### Article 6

- 1. The Executive Committee of the Association is the executive authority of the Association. It controls the operation of the Association and decides on all issues that are not covered by the Bylaws of the Association or resolutions of the General Assembly directed to another authority of the Association.
- 2. The Executive Committee provides for and supervises the fulfillment of resolutions of the General Assembly, regularly submits reports on its activities and on the activities of the Association, convenes and prepares meetings of the General Assembly.
- 3. The Executive Committee hires and supervises the building manager, if the General Assembly decides to engage a manager.
- 4. Meetings of the Executive Committee are held when it is necessary, but at least once a month.
- 5. The Executive Committee is composed of 5 members to be elected by the General Assembly.

#### Article 7

- 1. The Chairman of the Association is always one of the five members of the Executive Committee and he is the statutory representative of the Association.
- 2. The Chairman of the Association:
  - a) acts on behalf of the Association in all matters outside of the Association;
  - b) organizes the work of the Executive Committee and convenes and presides over the meetings of the Executive Committee;
  - c) presides over the meetings of the General Assembly.

3. During the absence of the Chairman of the Association or during his inability to act, his responsibilities shall be performed by the other members of the Executive Committee in the scope according to the Bylaws of the Association.

#### Article 8

1. The Account Auditing Committee of the Association is composed of 3 members to be elected by the General Assembly of the Association, who shall elect a chairman from among themselves.
2. The Account Auditing Committee has the power to control the executive authorities of the Association as well as the manager, if engaged, especially concerning the Association's finances. It is responsible for the audit report on the annual balance, therefore it has the right to look into all books of the Association.
3. Members of the Account Auditing Committee have the right to take part in the meetings of the Executive Committee of the Association.
4. The Account Auditing Committee of the Association is responsible to the General Assembly of the Association for its activities, and submits a report on its activities.
5. Meetings of the Account Auditing Committee are convened by its Chairman always after the winter heating period, otherwise according to current needs, but at least once every half-year.

#### Article 9

The office of Chairman and members of elected authorities are honorary positions and not entitled to remuneration. The elected office-holders are entitled to compensation for their actual, reasonable expenses, set by the General Assembly of the Association.

### Section IV

#### **Management of the common property**

#### Article 1

The common property comprises common parts of the building, common facilities of the building, belongings, the land under and surrounding the building [can be more precisely indicated].

#### Article 2

The Association is responsible for the operation and management as well as for the maintenance, renovation and improvements of the building and common property.

### Article 3

1. Members of the Association are obligated to pay monthly assessments into the fund of operation, maintenance, and repairs in accordance with their ownership interests, accounting for the ratio of the floor space of their unit to the total floor space of all units.
2. The total amount of payments into the fund of operation, maintenance, and repairs of the building (hereinafter "the fund") for the next year shall be approved by the General Assembly of the Association before the beginning of the year. The Executive Committee of the Association shall prepare the budget of the fund and send this budget to the members of the Association, together with a notice of the General Assembly meeting.

### Article 4

If a member does not fulfill his duty to pay assessments into the fund when due, as determined by the General Assembly of the Association, nor does so within 30 day after a notice thereof, interest in an amount to be set for each year by the General Assembly can be charged for any such assessment in default.

### Article 5

The Association can, if so decided by the General Assembly, engage a physical or legal person to perform the management professionally as a manager of the building.

### Article 6

Resources of the Association come from assessments paid by individual members of the Association into the fund as well as from endowments and gifts provided by physical and legal persons and from the income from occasional business activities of the Association.

### Article 7

Every member of the Association is responsible for keeping his unit in good repair and is responsible for any damage caused by himself, by his family, or by tenants using his unit. The member shall repay the Association all expenses in connection with the repair or replacement of the common property and all expenses due to any negligence of the member or by the above mentioned persons.

### Article 8

The disposition of the Association's resources and property are authorized by the Association in compliance with resolutions of the General Assembly and with respect to the regulations of this Agreement and Bylaws of the Association. The Chairman of the Association has the power to sign documents for the Association. The Chairman's signature shall be witnessed by at least one other member of the Executive Committee. The name of the Association will be marked with a seal.

## Article 9

If the members enter into an agreement for liquidation of the Association, the General Assembly shall appoint an liquidator of the Association. After the liquidator's report is submitted, the General Assembly shall settle all liabilities of the Association and decide on distribution of assets of the Association.

## **Section V**

### **Final regulations**

## Article 1

1. Founders of the Association shall convene the first General Assembly within one month from the legal registration of the Association and shall enact Bylaws of the Association.
2. Until the first General Assembly, the operation on behalf of the Association shall be executive by the owner of the building \_\_\_\_\_, represented by \_\_\_\_\_ (address)\_\_\_\_\_

## Article 2

All legal relationships following from this Agreement and not regulated by this Agreement are governed by the valid law of the Slovak Republic.

## Article 3

This Agreement was approved by the founders of the Association the day of \_\_\_\_\_, and will enter into force the day of the registration of the Association by the Regional Authority in \_\_\_\_\_.

## Article 4

The application for the incorporation into the Register of Associations at the Regional Authority in \_\_\_\_\_ shall be submitted by the owner of the building -the municipality of \_\_\_\_\_ through the Mayor of the town \_\_\_\_\_, within 15 days from the approval of this Agreement by the founders.

Signature of the founders

In \_\_\_\_\_, date \_\_\_\_\_

## **ANNEX C**

### ***SAMPLE MASTER ASSOCIATION AGREEMENT***



## MASTER AGREEMENT FOR ROOF COMMITTEE

### Article I - Parties

**Section 1.1** This Agreement is made on \_\_\_\_\_ [date] between the Association of Owners of the condominiums located at \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, in the City of \_\_\_\_\_ (hereinafter collectively referred to as "Associations").

**Section 1.2** Each of the Associations is a legal person authorized to enter into this Agreement, and each has duly authorized the officer whose name appears below to enter into this Agreement on behalf of that association.

### Article II - Purpose

**Section 2.1** The purpose of this Agreement is to set out the terms under which the Associations will regulate the use, repair, replacement and other activities relating to the roof that covers and is shared by the condominium properties represented by the Associations.

**Section 2.2** This Agreement is intended to facilitate coordination of activities relating to the roof, and to provide for the structural integrity and fitness for use of each of the condominium properties.

### Article III - Roof Committee

**Section 3.1** The Associations hereby agree to the establishment of the Roof Committee, which shall be responsible for carrying out the purposes of this Agreement.

**Section 3.2** Each of the Associations shall elect *[one or more, depending on size of the associations and complexity of the responsibilities]* representative(s) to serve on the Roof Committee for a term of *[one to three]* year(s).

**Section 3.3** The members of the Roof Committee shall be authorized by their respective associations to represent the association and to act on behalf of the association in carrying out activities relating to the roof.

### Article IV - Operations of the Roof Committee

**Section 4.1** The Roof Committee shall hold a regular meeting once a year. It may meet between regular meetings at the request of one or more of the associations, if such association(s) determines that a meeting of the Roof Committee is advisable.

**Section 4.2** The *[property manager or executive committee]* of each association shall provide that association's representative(s) on the Roof Committee with copies of any invoices, work orders, complaints, requests for service or other documents relating to the roof. At least once each year, the Roof Committee shall meet to review all activities of each of the Associations relating to complaints of leaks in the roof, repairs to the roof or other matters concerning the roof.

**Section 4.3** If at any regular or special meeting, the Roof Committee determines by majority vote that an inspection of the roof by a professional engineer or other expert is advisable, the Roof Committee is authorized

to contract for such inspection on behalf of the Associations. The cost of such inspection shall be shared equally among the Associations.

**Section 4.4** The members of the Roof Committee shall review the results of any such inspection, and shall present the results of any such inspection to the association they represent. If the Roof Committee determines by majority vote that further action is advisable, they shall recommend such action to the Associations at the time the results are presented.

**Section 4.5** If a majority of the Associations vote to take the action recommended by the Roof Committee, such action shall be carried out under the supervision of the Roof Committee.

#### **Article V - Expenses Relating to the Roof**

**Section 5.1** Expenses incurred to carry out activities relating to the roof, as recommended by the Roof Committee and approved by a majority of the Associations, shall be shared equally among the Associations. *[This formula could vary, depending on the area of the roof covering each of the properties. If the properties are of substantially different sizes, an unequal allocation of expenses may be more fair.]*

**Section 5.2** If the Roof Committee determines that expenses incurred in relation to the roof were necessitated by the misuse of the roof or other action by members or representatives of one or more but not all of the Associations, such expenses shall be assessed against only the association(s) responsible.

#### **Article VI - Changes in Use of the Roof**

**Section 6.1** If one or more but not all of the Associations proposes a change in the use or structure of all or part of the roof, such as construction on the roof, such change may not be undertaken without first obtaining (1) the approval of a majority of the Roof Committee and (2) the approval of each of the Associations.

**Section 6.2** For any change in the purpose or structure of the roof that benefits less than all of the Associations, the expenses of such work shall be paid by the Associations that receive the benefit. The proposed allocation of expenses shall be stated in the proposal put to the vote of the Roof Committee and the Associations.

\_\_\_\_\_, on behalf of  
[Name of Officer]

\_\_\_\_\_  
[Association]

\_\_\_\_\_, on behalf of  
[Name of Officer]

\_\_\_\_\_  
[Association]

\_\_\_\_\_, on behalf of  
[Name of Officer]

\_\_\_\_\_  
[Association]



**Explanation of Master Agreement  
Among Two or More Condominium Associations  
With Shared Common Property or Facility**

The master agreement between associations is intended to facilitate cooperation and avoid conflict between associations when two or more buildings or parts of one building that share a common facility, such as a roof, boiler or central courtyard, and are divided into separate condominiums, each with its own association.

It can be a simple agreement, so long as the following items are included:

- the identity and location of each of the associations;
- the purposes of the agreement;
- how the associations will be represented in carrying out activities relating to the property or subject of mutual interest, such as on a committee;
- how the representatives of the associations (the committee) will operate and the scope of their authority;
- how expenses of activities relating to the property or subject of mutual interest will be allocated.

The attached sample agreement could be used when a large building with a unified roof has been divided by stairwells or some other logical way, into more than one condominium.

